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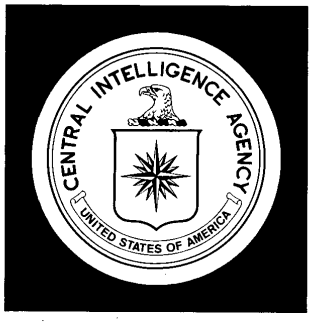

The President's Daily Brief

February 26, 1974

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THE PRESIDENT'S DAILY BRIEF

February 26, 1974

PRINCIPAL DEVELOPMENTS

India and Iran have concluded a major trade agreement. *(Page 1)*

The Thai Army is prepared to take stern measures if student agitation should get out of hand. *(Page 2)*

There are signs of renewed political friction in Phnom Penh. *(Page 3)*

Notes on Iraq-USSR, the USSR, Libya - Eastern Europe, and Romania appear on *Page 4*.

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INDIA-IRAN

India and Iran have concluded a major trade agreement that, [redacted] will go a long way toward ensuring that India's oil requirements are met. In return, India will supply cement, steel products, rail cars, machinery, and fishing trawlers. 25X1

India will also receive two credits totaling $370 million to expand iron ore mining operations and alumina production. When these projects are completed, India will supply Iran with 2.5 million tons of ore pellets and 100,000 tons of alumina per year for 20 years.

Neither the amount of crude oil involved nor the credit terms for the loans were made public. Although Iran's Minister of Economy claims that the agreement did not involve any "concessionary" price for oil, the cost probably will be well below the posted price. Iran already supplies 60-65 percent of India's crude imports.

Iran also agreed to help finance an expansion of India's refinery at Madras from an annual capacity of 2.8 million to 3.5 million tons. The refinery is owned jointly by the Indian Government, National Iranian Oil, and American International Oil.

In addition, India's balance-of-payments problem will be considerably eased because India will be allowed to pay part of its oil import bill with future exports to Iran. By providing 65,000 tons of steel and 300,000 tons of cement to Iran, however, India could intensify its already critical domestic shortages of both products.

From the Shah's standpoint, the deal with India has a number of attractive features. In the short run, it will provide Iran with some badly needed industrial goods and reinforce Tehran's interests in foreign refining operations. Over the longer term, it will give Iran an important source of supply for its ambitious steel and aluminum output plans. These plans call for Iran to be a substantial exporter of steel and aluminum products--a goal which could bring Tehran into competition with New Delhi in years to come.

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THAILAND

Army chief Krit Sawara recently told key troop commanders in the Bangkok area to be ready to move quickly and decisively should disorder again break out. Although he did not amplify his order, Krit most likely is thinking in terms of arresting selected student activists. During violent student demonstrations last January, the government relied on the police force to handle the situation and the army was not called on.

King Phumiphon apparently has quietly given his approval to the military to quell any sizable student-inspired disorder. [redacted] the King is having second thoughts about his support of the student movement, in light of some of the "radical" views now expressed by several student leaders. 25X1

Despite some concern in Bangkok that the army may take advantage of the situation, there is no evidence that it would use a move against the students as a pretext to oust the civilian government. Strong measures to restrict student political activity, however, could lead to a confrontation between the army and the students. Army sensitivities are running particularly high because of student charges that army units recently burned down a village suspected of harboring Communist sympathizers in northeast Thailand. [redacted] 25X1

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CAMBODIA

Republican Party chief Sirik Matak recently stated privately that he and his followers can no longer continue to work with President Lon Nol and members of his Socio-Republican Party. According to Matak, Lon Nol has "sabotaged" every attempt by the Republicans to help lead the country. Several Republican cabinet ministers have echoed Matak's criticism, but Prime Minister Long Boret has persuaded them to remain in the cabinet.

Matak also wants to abolish the High Political Council, on which he serves. Matak believes the three-man council, supposedly the country's ruling body, is no longer effective. He complained that it meets too infrequently and has little real work to do, since most important decisions are made before any business is referred to it. Long Boret, also a council member, reportedly shares Matak's views. Lon Nol is aware of this and has asked them to discuss the council further and to give him a "recommendation for action."

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NOTES

Iraq-USSR: [redacted] 25X1
[redacted] the USSR has supplied FROG rockets--unguided tactical missiles--to Iraq. One such rocket, together with support equipment and resupply vehicles, was identified at a military installation about 45 miles south of Baghdad. [redacted] 25X1 25X1 25X1 25X1 25X1

USSR: [redacted] 25X1

25X1 [redacted]

Libya - Eastern Europe: Libya has concluded agreements with Eastern Europe which could raise its direct oil exports to that area to 140,000 barrels per day this year--double the amount shipped in 1973. Poland and Romania signed long-term agreements with Libya this month--and Czechoslovakia reached a five-year agreement--to secure oil on a barter basis. Hungary and Bulgaria arranged last month for relatively small amounts of oil to be delivered this year. These shipments would represent less than 10 percent of Libya's probable oil exports for 1974.

Romania: Romania has decided to cut back industrial growth--now the highest in Eastern Europe--in favor of consumer production and agriculture in its five-year plan for 1976 to 1980, now apparently being drafted. President Ceausescu, who announced this radical change from present policy in a recent interview, obviously sees a political need to improve the lot of the consumer. An economic rationale may be anticipated balance-of-payments problems caused by large imports of machinery and equipment.

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